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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/894,851	06/27/2001	Jay H. Shidler	EPR-PX	3728

7590  
Daniel H. Golub  
1701 Market Street  
Philadelphia, PA 19103

01/24/2007

EXAMINER
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LIVERSEDGE, JENNIFER L

ART UNIT	PAPER-NUMBER
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3692

SHORTENED STATUTORY PERIOD OF RESPONSE	MAIL DATE	DELIVERY MODE
3 MONTHS	01/24/2007	PAPER

**Please find below and/or attached an Office communication concerning this application or proceeding.**

If NO period for reply is specified above, the maximum statutory period will apply and will expire 6 MONTHS from the mailing date of this communication.

<b>Office Action Summary</b>	<b>Application No.</b>		<b>Applicant(s)</b>	
	09/894,851		SHIDLER ET AL.	
	<b>Examiner</b>		<b>Art Unit</b>	
	Jennifer Liversedge		3692	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

**Period for Reply**

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

**Status**

- 1) ☒ Responsive to communication(s) filed on 23 October 2006.
- 2a) ☐ This action is **FINAL**.                      2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

**Disposition of Claims**

- 4) ☒ Claim(s) 1-19 and 21-26 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 1-19 and 21-26 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

**Application Papers**

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on \_\_\_\_\_ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

**Priority under 35 U.S.C. § 119**

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All    b) ☐ Some \*    c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
2. ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

**Attachment(s)**

- |  |   |
|--|---|
| 1) <input type="checkbox"/> Notice of References Cited (PTO-892)                     | 4) <input type="checkbox"/> Interview Summary (PTO-413)           |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | Paper No(s)/Mail Date. _____                                      |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO/SB/08)          | 5) <input type="checkbox"/> Notice of Informal Patent Application |
| Paper No(s)/Mail Date _____  | 6) <input type="checkbox"/> Other: _____                          |

**DETAILED ACTION**

***Response to Amendment***

This Office Action is responsive to Applicant's response and request for reconsideration of application 09/894,851 filed on October 23, 2006.

The amendment contains original claims: 2-19 and 21-25

The amendment contains currently amended claims: 1 and 26

Claim 20 has been canceled.

***Claim Rejections - 35 USC § 101***

35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 1-19 and 21-26 are rejected under 35 U.S.C. 101 because the disclosed invention is inoperative and therefore lacks utility. Claims 1 and 26 refer to a computer system and method and modules (Capacity Creation and Product Creation) but lacks other elements of a system in order to make the system and method operable, such as a database from which data is retrieved and a processor.

***Claim Rejections - 35 USC § 112***

The following is a quotation of the first paragraph of 35 U.S.C. 112:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same and shall set forth the best mode contemplated by the inventor of carrying out his invention.

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Claims 1 and 26 are rejected under 35 U.S.C. 112, first paragraph, as based on a disclosure which is not enabling. Absorbing defined synthetic credit products at a minimum level of default risk is critical or essential to the practice of the invention, but not included in the claim(s) is not enabled by the disclosure. See *In re Mayhew*, 527 F.2d 1229, 188 USPQ 356 (CCPA 1976). It is unclear from the claim language how this absorbing is determined (for example, it is possible to set the price high and issue fewer number of products or issue many products and therefore result in a lower price, etc. both of which result in absorbing the product). Language from the specification should be included in the claim language to further define and clarify the absorption mechanism. Further, claim 26 refers to "...to absorb defined credit products..." and should refer to "...to absorb defined synthetic credit products" as set forth in the preamble.

The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

Claims 1-19 and 21-26 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. Claims 1 and 26 recite the limitation "the determined portfolio capacity" in part (b). There is insufficient antecedent basis for this limitation in the claim.

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Claim 2 is rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. Claim 2 recites the limitation "the Product Creation and Pricing Creation module" in the second and third lines. There is insufficient antecedent basis for this limitation in the claim. The amending of claim 1 to remove a Pricing Creation module resulted in this lack of antecedent basis and could be easily overcome by amending claim 2 to indicate the Product Creation module and a Pricing Creation module.

***Allowable Subject Matter***

Claims 1-19 and 21-26 would be allowable if rewritten or amended to overcome the rejection(s) under 35 U.S.C. 112, 1<sup>st</sup> and 2nd paragraphs and the rejections under 35 U.S.C. 101, set forth in this Office action.

The following is a statement of reasons for the indication of allowable subject matter: the prior art fails to teach or suggest the limitations of the independent claims.

Independent claim 1 discloses a system for creating synthetic credit products comprising a Capacity Creation module for determining the capacity of a defined financial market that includes at least one entity to absorb defined synthetic credit products at a minimum level of default risk, wherein the synthetic credit products include credit default swaps for structuring and pricing of credit-rating specific credit indexes and a Product Creation module for creating the synthetic credit products including a Product Creation engine for creating the synthetic credit products matched to debt

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obligations of qualified reference entities based upon internal templates in accordance with a determined portfolio capacity of the Capacity Creation module.

Independent claim 26 discloses a method for creating synthetic credit products comprising determining the capacity of a defined financial market that includes at least one entity to absorb defined synthetic credit products at a minimum level of default risk, wherein the synthetic credit products include credit default swaps for structuring and pricing of credit-rating specific credit indexes and creating the synthetic credit products including creating the synthetic credit products matched to debt obligations of qualified reference entities based upon internal templates in accordance with a determined portfolio capacity.

The primary difference between the claimed invention and the prior art is the use of credit default swaps for structuring and pricing of credit-rating specific credit indexes as credit default swaps are traditionally used for risk transfer between swap participants and not for structuring and pricing of credit indexes as synthetic credit products.

The prior art, such as US Patent No. 5,704,145 to King et al., demonstrates the use of swap markets with flexibility in pricing and terms for various levels of risk, where parties generate contracts based on acceptable levels of risk using a data system for such a transaction and negotiation. A computer system with a database is used to compare proposed risk, market interest rates and other factors in determining pricing for the credit product. However, the system is for the purpose of transferring risk amongst the parties, and not for the use of credit default swaps for structuring and pricing of credit-rating specific credit indexes as credit default swaps are traditionally used for risk

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transfer between swap participants and not for structuring and pricing of credit indexes as synthetic credit products.

Further, "Creditex Launches Emerging Markets Platform, Completes First Trade" in PR Newswire discloses an Internet-based platform for trading credit derivatives, including credit default swaps. However, the platform provides a means using the Internet by which a large number of individuals desiring to transfer risk are provided a mechanism by which to do so, and does not include the use of credit default swaps for structuring and pricing of credit-rating specific credit indexes as credit default swaps are traditionally used for risk transfer between swap participants and not for structuring and pricing of credit indexes as synthetic credit products.

### ***Conclusion***

Any inquiry concerning this communication should be directed to Jennifer Liversedge whose telephone number is 571-272-3167. The examiner can normally be reached on Monday – Friday, 8:30 – 5 PM.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Richard Chilcot can be reached at 571-272-6777. The fax number for the organization where the application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only.

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For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

Jennifer Liversedge

Examiner

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**RICHARD E. CHILCOT, JR.**  
**SUPERVISORY PATENT EXAMINER**